

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03
NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 EB-07
COME-00 TRSE-00 OMB-01 SIL-01 LAB-04 /071 W
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R 171540Z DEC 76
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 8884
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LUXEMBOURG
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USMISSION EC BRUSSELS
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E.O. 11652: N/A
TAGS: ELAB, UK
SUBJECT: TUC RESPONSE TO THE BUDGET

REF: LONDON 20315

BEGIN SUMMARY. THE TUC ECONOMIC COMMITTEE, WHICH MET
DECEMBER 15 REACTED TO CHANCELLOR HEALEY'S "MINI-BUDGET"
PRESENTATION MORE IN SORROW AND DISAPPOINTMENT THAN IN
ANGER. THE COMMITTEE ACCEPTS THE GOVERNMENT'S NEED TO
GO ABROAD FOR FINANCIAL HELP BUT CRITICIZES ITS PROPOSALS
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ON A NUMBER OF GROUNDS INCLUDING ITS FAILURE TO LINK THE
PROPOSED MEASURES WITH THE AGREED INDUSTRIAL STRATEGY,
ITS CUTBACKS IN MANY AREAS, ESPECIALLY CONSTRUCTION, AND
ITS FAILURE TO MOVE IN THE AREA OF IMPORT CONTROLS. THE
TUC FURTHERMORE WARNED THE CHANCELLOR THAT IT WANTS MORE
THAN A TAX QUID PRO QUO IN RETURN FOR A THIRD YEAR OF

WAGE RESTRAINTS. DESPITE ITS CRITICISMS, HOWEVER, THERE IS NO INTENTION ON THE PART OF THE TUC TO BREAK WITH THE GOVERNMENT. END SUMMARY.

1. THE TUC ECONOMIC COMMITTEE ISSUED A STATEMENT (BEING POUCHED) WHICH ACKNOWLEDGES THAT "THERE WAS NO REAL ALTERNATIVE TO SEEKING FINANCIAL SUPPORT FROM ABROAD IF THE POUND WAS TO BE PROTECTED..." IT CRITICIZES MR. HEALEY FOR HIS FAILURE TO LINK HIS PROPOSALS TO THE "AGREED GROWTH PATH", WHICH IT ARGUES, HAS BEEN DEFLECTED "BY THE CONTINUATION OF QUITE UNACCEPTABLE LEVELS OF UNEMPLOYMENT". (IT IS REFERRING TO A GROWTH RATE TARGET ESTABLISHED BY THE NATIONAL ECONOMIC DEVELOPMENT ORGANIZATION IN THE LIGHT OF THE CHANCELLOR'S OPTIMISTIC GROWTH FORECASTS OF LAST SPRING.) THE TUC LEADERSHIP ALSO ATTACKS THE GOVERNMENT'S ELIMINATION OF ITS REGIONAL EMPLOYMENT PREMIUM, THE REDUCTION IN PUBLIC HOUSING AND OTHER CONSTRUCTION CUTS IN ROAD AND SCHOOL BUILDING AND BY WATER AUTHORITIES.

2. THE TUC, ALTHOUGH WELCOMING SOME OF THE MEASURES TO STIMULATE INDUSTRIAL GROWTH (MORE MONEY FOR JOB CREATION, THE NATIONAL ENTERPRISE BOARD AND OTHER SCHEMES) DECRIES THE LACK OF EMPHASIS ON INDUSTRIAL STRATEGY. IT IS PARTICULARLY DISAPPOINTED AT THE FAILURE OF THE CHANCELLOR TO MENTION THE "SETTING OF CEILINGS FOR IMPORT PENETRATION...JOINTLY AGREED AS A CORNERSTONE OF THE INDUSTRIAL STRATEGY." IT ADDS THAT THE "INTRODUCTION OF SELECTIVE IMPORT CONTROLS MUST NOW BE A MAJOR PRIORITY... IN SEVERAL AREAS SUCH AS MOTOR CARS AND ELECTRONICS"

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WHERE "VOLUNTARY ARRANGEMENTS HAVE BEEN LESS EFFECTIVE."

3. PRIVATE INDUSTRY IS URGED BY THE T/C "TO MAKE A MORE POSITIVE RESPONSE." IT CHARGES THAT DESPITE "OVER-GENEROUS CONCESSIONS" TO INDUSTRY AND THE FACT THAT "EXPORT PRICES HAVE NEVER BEEN SO COMPETITIVE -- THERE HAS STILL BEEN NO SIGNIFICANT UPTURN IN INVESTMENT." BY CONTRAST, IT SAYS THE TRADE UNIONISTS "GAVE 100 PERCENT SUPPORT" TO THE WAGE RESTRAINT POLICY AND "HAVE SIGNIFICANTLY REDUCED THE LEVEL OF STRIKES." WHAT THE TUC WANTS NOW IS FOR THE GOVERNMENT TO MAKE A MORE POSITIVE DRIVE TO GET INDUSTRY TO INVEST.

4. THE STATEMENT DEPLORES "THE PROSPECT OF EVEN HIGHER UNEMPLOYMENT IN 1977 IN THE INDUSTRIAL COUNTRIES AS BOTH DEPLORABLE AND UNNECESSARY" AND URGES THE GOVERNMENT TO "SPUR THE GOVERNMENTS OF THE USA, GERMANY AND JAPAN AS WELL AS THE EC NINE TO TAKE URGENT AND EFFECTIVE COUNTER-

ACTION" AND TO HEW TO THE 5 PERCENT GROWTH PATH
DISCUSSED AT THE PUERTO RICO ECONOMIC SUMMIT. THE TUC
EXPRESSES ITS CONCERN OVER THE FACT THAT "THERE IS NO
PROSPECT OF ANY REDUCTION IN THE RATE OF INFLATION" AND
SAYS THAT THE ACCELERATION OF FOOD SUBSIDY PHASE-OUTS
WILL AGGRAVATE THESE INFLATIONARY PRESSURES. THE TUC

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EXPECTS TO DISCUSS WITH GOVERNMENT A NEW APPROACH TO
PRICES POLICY WHICH "WILL WIN THE CONFIDENCE OF WORKING
PEOPLE AND THEIR FAMILIES."

5. FINALLY, THE TUC SAYS THAT ITS RESOLUTION (AT THE
TUC CONGRESS IN SEPTEMBER) CALLING FOR "AN ORDERLY RETURN

TO COLLECTIVE BARGAINING MUST BE SET IN THE CONTEXT OF AN
EFFECTIVE STRATEGY TO TACKLE UNEMPLOYMENT AND INFLATION".
IT SAYS THAT THE GOVERNMENT MUST BE PREPARED TO MAKE
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SPECIFIC COMMITMENTS ON THE WHOLE RANGE OF
ECONOMIC AND SOCIAL POLICY INCLUDING PRICES, THE SOCIAL
WAGE AND EMPLOYMENT. THE TUC ALSO WARNS MR. HEALEY THAT
A THIRD PAY RESTRAINT YEAR AFTER JULY 31, 1977 CANNOT BE
ACCEPTED BY THE TUC BY THE SIMPLE LINKAGE OF PAY TO
TAXATION, AS HE SUGGESTED IN HIS BUDGET PRESENTATION.

6. COMMENT. THE TUC'S RESPONSE TO THE GOVERNMENT'S
PROPOSALS DESPITE ITS BROAD RANGE OF CRITICISMS IS A
MEASURED AND PRUDENT ONE. TRADE UNION LEADERS WITH WHOM
WE HAVE SPOKEN PRIVATELY MAKE IT CLEAR THAT THEY HAVE NO
INTENTIONS OF FOLLOWING A CONFRONTATIONAL LINE WITH THE
GOVERNMENT OVER THE BUDGET WHICH WOULD PRECIPITATE A
SPLIT AND THE DESTRUCTION OF THE SOCIAL CONTRACT.
HOWEVER, THEY ARE VERY WORRIED INDEED ABOUT THE IMPACT OF
THE AUSTERITY PACKAGE ON THEIR MEMBERS, PARTICULARLY AS
IT IS NOW CLEAR THAT IT WILL BE A BLEAK WINTER OF RISING
UNEMPLOYMENT AND CONTINUED HIGH INFLATION. TUC LEADERS
EXPECT PRIME MINISTER JAMES CALLAGHAN TO "GO TO THE
STUMP" AROUND THE COUNTRY IN ORDER TO "JAWBONE" INDUSTRY
INTO INVESTING MORE. FURTHERMORE, THEY ARE PARTICULARLY
SENSITIVE TO THE FACT THAT THE CHANCELLOR SEIZED THE
INITIATIVE WHEN THE PAY POLICY WAS BEING "NEGOTIATED"
LAST YEAR THROUGH HIS "TAX CUT FOR PAY RESTRAINT" OFFER,
AND THEY ARE TRYING TO AVOID, AS ONE PUT IT, "BEING
LOCKED IN BY HEALEY" IN THE SAME WAY THE NEXT TIME
AROUND. THEY FULLY EXPECT ANOTHER "WINTER (AND MUCH
LONGER) OF DISCONTENT" IN BRITAIN AND SOME OF THEM HOPE
THAT LONG-TERM FRIENDS SUCH AS AMERICANS (BOTH GOVERNMENT
OFFICIALS AND PRIVATE CITIZENS) WILL PROVIDE WORDS OF
ENCOURAGEMENT, OF SYMPATHY AND OF HOPE RATHER THAN
CRITICISM DURING THE DIFFICULT PERIOD AHEAD.
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